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Stark County Recorder T20100007782

Jeffrey W. Ruggles OIL & GAS LEASE
3/9/2010
Agreement: Made and entered into the 9th day of March, 2010, by and between
Twin Oaks Farm, LTD. Jeffrey W. Ruggles, Agent
1110 Whitacre Avenue SE

Minerva, Ohio 44657

hereinafter called lessor (whether one or more), and **ARTEX OIL COMPANY**, of 2163A State Route 821, Marietta, Ohio 45750, hereinafter called lessee:

Witnesseth: That lessor, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto lessee for the purposes of investigating, exploring, prospecting, drilling for and producing oil, natural gas, coalbed methane gas and any other associated hydrocarbons and of conducting exploration, geologic and geophysical tests and surveys, laying pipelines, and of building roads, tanks, telephone lines, power lines and related facilities thereon to produce, save, store and take care of said products, and to transport, over and through said lands oil and gas and their constituents from the subject lands, the subject lands being all that certain tract of land situated in the Township of Paris, County of Stark, Ohio, described as follows, to wit:

Being all land owned by lessor in Lot/Section 12, 13

Bound by:	12	13
North by	<u>S. Keister</u>	<u>section line</u>
East by	<u>H. Fauss</u>	<u>H. Fauss</u>
South by	<u>section line</u>	<u>J. Mercer</u>
West By	<u>Whitacre Avenue</u>	<u>Whitacre Avenue</u>

~~Lot~~/Section 12, 13, Township 17, Range 6, and containing ---69.9--- acres, more or less and including all lands and interest therein, contiguous or appurtenant to said described land and owned or claimed by lessor, whether or not specifically described above.

1. This lease shall remain in force for a primary term of Five (5) years from this date and if lessee shall commence to drill within said primary term or any extension thereof, the said lessee shall have the right to continue drilling to completion with reasonable diligence and said term shall extend as long thereafter as such drilling operations are conducted and as long as oil and gas, or either of them, is produced or is capable of being produced from said land or from a communitized unit as hereinafter provided.

2. In consideration of the premises lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, into tank reservoirs or into the pipeline to which lessee may connect wells on said land, one-eighth (1/8) of all oil produced and sold from the leased premises.

2nd. To pay lessor one-eighth (1/8) of the actual proceeds received by lessee from the sale of gas produced and sold from the leased premises, payable monthly, net of gathering, compression and other costs necessary to market such gas. Lessee shall have the option to make such payments on a quarterly basis if such monthly net royalty payments to lessor are on average less than \$50.00. In the event all wells on the leased property are shut in for any reason for a continuous period of six months, then on or before the end of each calendar year during which all such wells are shut in, lessee shall pay lessor a shut in payment of an amount equal to the yearly delay rental as provided by this lease, prorated for the period such wells are shut in, and so long as such payments are made, this lease shall continue in full force and effect and be held as a producing property under paragraph #1 above.

3. Lessor may lay a line to one gas well on said lands and connect at a location and in a manner designated by lessee on said land and may take annually up to 250,000 cubic feet of free gas produced from said well for use for heat in one dwelling house located on said land, at lessor's risk, subject to the use and the right of abandonment and surrender of lessee, and also subject to lessee's reasonable rules and regulations. All gas taken



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by lessor in excess of 250,000 cubic feet taken in any calendar year shall be paid for at the then current residential utility tariff rates in the town nearest the leased premises. All gas shall be metered at the tie-in point at lessor's expense. If lessor fails to pay for any excess gas usage, lessee may deduct payment therefrom from any moneys payable to lessor.

4. Lessor agrees to pay one-eighth (1/8) of all taxes levied or assessed upon the production of oil or gas from the leased premises, and lessee is hereby authorized to pay such taxes and assessments on behalf of lessor and to deduct the amount so paid from any moneys payable to lessor. *S.W.R. 3/9/2010*

5. If no well is commenced on said land on or before the 9th day of April, 20 10, this lease shall terminate unless the lessee shall on or before that date pay or tender to the lessor the sum of Six hundred ninety-nine and -----no/100 Dollars \$699.00 which shall operate as a delay rental and cover the privilege of deferring the commencement of a well for twelve (12) months from said date. The payment herein referred to may be made in currency, draft, or check at the option of the lessee and the depositing of such payment in any post office, with sufficient postage and properly addressed to the lessor on or before said date, shall be deemed payment as herein provided. In like manner and upon like payments or tenders, the commencement of a well may be further deferred for like periods of the same number of months successively. This lease shall not terminate for failure to pay delay rentals or for any other cause unless lessor gives lessee written notice of said failure and the rental due is not paid or other default is not cured or commenced to be cured within ten days of the receipt of said notice by lessee.

6. If, during the primary or secondary term of this lease operations hereunder shall result in a dry hole on this land or lands communized therewith, or a well ceases production, this lease shall not terminate provided that lessee shall again commence operations within 90 days or, if the primary term has not expired, tender the payment of rental in the manner and amount herein before provided on or before the latest of the following dates: the next ensuing rental payment date, 90 days after the completion of the dry hole or 90 days after the cessation of production.

7. If lessor owns a less interest in the above-described land than the entire undivided fee simple estate therein, then the royalties and rentals therein provided for shall be paid to the lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

8. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation except water from the wells of lessor. When requested by lessor, lessee shall bury all pipelines below plow depth in cultivated areas. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor. Lessee shall pay for damages caused by lessee's operations to growing crops and improvements on said land; if the parties cannot agree on the amount of damages, this shall be resolved by binding arbitration. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing, and lessor specifically waives all requirements that lessee remove all buried pipelines and access roads on the leased premises.

9. Lessee is granted the right at any time to unitize the leased premises or any portion thereof, as to any or all strata or stratum, with any other lands for the production of oil and/or gas. No such unit shall embrace more than 160 acres, provided that if any governmental regulations or prudent geological or engineering practices shall suggest or require a spacing pattern for the development of the field, then any such unit may embrace as much additional acreage as may be included in such spacing pattern. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the premises leased hereby whether or not the well or wells are located thereon, provided, however, that lessor shall receive, in lieu of other royalties, only such proportion of the royalties specified above as the amount of lessor's acreage placed in the unit bears to the total acreage in the unit, and provided further that lessor may take free gas from a unit well only if the well is located on lands actually owned by lessor.

10. If the interest of either party hereto is assigned and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, personal representatives, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from such person, such defaults shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands upon which the said lessee or assignee thereof shall make due payments of said rentals.

11. If the leased premises are now or shall hereafter be owned in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all payments accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners of the oil and gas rights in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, device, or otherwise, or to furnish separate measuring or receiving tanks

12. Lessor hereby warrants and agrees to defend the title of said lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor any mortgage, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder

thereof, and the lessor hereby surrenders and releases all rights of dower in the premises herein described, insofar as said right of dower may in any way affect the purposes for which this lease is made as recited herein.

13. Lessee may at any time surrender this lease as to all or any part of the lands covered thereby, by delivering or mailing a release there of to the lessor or by placing a release thereof of record in the proper County; and if surrendered only as to a part of said lands, any delay rentals or acreage payments which may thereafter be payable hereunder shall be reduced proportionately.

14. This lease hereby excludes and Lessee assumes no rights, responsibility, nor liability for any and all preexisting abandoned and/or unplugged oil and gas wells to the depth drilled that are located on the lease premises, whether abandoned, plugged or unplugged.

15. This lease contains all of the agreements and understandings of the lessor and the lessee respecting the subject matter hereof and no implied covenants or obligations are contained herein and no verbal representations or promises have been made or relied upon by lessor or lessee supplementing or modifying this lease or as an inducement thereto.

See Exhibit "A" Attached

Lessor(s)

Jeffrey W. Ruggles 3/9/2010

Jeffrey W. Ruggles, Agent for Twin Oaks Farm, LTD

STATE OF Ohio)
) SS.
COUNTY OF Stark)

The foregoing instrument was acknowledged before me this 9th day of March, 20 10,
by Jeffrey W. Ruggles, Agent of Twin Oaks Farm, LTD an Ohio corporation on behalf of the corporation.



RUSSELL W. SUITT, JR.
Notary Public, State of Ohio
My Commission Expires 5-22-13

Russell W. Suitt, Jr.
Notary Public
My commission expires _____

STATE OF _____)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____,
20 _____, by _____.

Notary Public
My commission expires _____

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EXHIBIT "A"

Attached and made part of a certain Oil and Gas Lease dated the 9th day of March, 2010 by and between Jeffrey R. Russles Agent for Twin Oaks Farm, LLC as Lessor, and Artex Oil Company, as Lessee.

J.W.R. 3/9/2010

1. Location of all access road(s), pipeline routes and tank battery(ies) shall be mutually agreed upon by Lessor and Lessee not to be unreasonably withheld.
2. Lessee will restore the well site(s) to as near as is reasonably possible to the original condition within six (6) months of completion of said well, weather permitting. Grass of a like kind disturbed, will be planted by the Lessee when reclamation is completed. All pipelines on the said premises shall be buried below plow depth and shall remain underground upon the release of the said lease. Lessee will fence the tank battery site and well site should a producing well be located upon the Lessor's property, fence will be of proper material to prevent livestock from entering the site. Lessee will conduct its operations in a prudent manner and follow well operating practices in the best interest of the industry. No operating costs of the well will be charged to the Lessor.
3. Any fence damaged by the Lessee will be repaired to a condition equal to or better than the remainder of any fencing on the line of which the damage occurred.
4. Lessee agrees to indemnify, protect, save harmless and defend Lessor from and against any loss, claim or expense including, without limitation, claims for injury or death to persons or damage to property including environmental contamination occurring as a result of Lessee's use of the premises, or as a result of loss, expense, injury, death or damage. Which would not have occurred but for Lessee's use of the premises, except to the extent any such damage or injury is caused by Lessor's negligence.
5. When Lessee determines a producing well located on Lessor's property should be plugged and abandoned, Lessee shall notify the Lessor of its intentions to plug and abandon the same. Lessor shall have the first right to purchase said well for salvage value, subject to all government rules and regulations, by notifying Lessee within thirty (30) days after receipt of said notice of its intention to purchase said well. Failure of Lessor to respond to said notice within said thirty (30) day period shall be deemed as an election not to purchase said well. Salvage value if not mutually agreed upon shall be determined by majority vote of three (3) disinterested persons, one (1) appointed by the Lessor, one (1) appointed by the Lessee, and one (1) appointed by the first two (2) appointed. Lessor agrees to obtain all necessary approvals and permits required by the State of Ohio Department of Natural Resources, Division of Mineral Resources Management, pertaining to the ownership of oil and gas wells. Lessor's right to purchase said well must be exercised within thirty (30) days after tendering of said notice to Lessee of Lessor's intent to acquire said well or said purchase right shall become null and void
6. Lessee shall allow Lessor one free gas hookup on the leasehold premises described herein. Such hookup shall be for free use of gas up to 300,000 cubic feet per year per well on leased premises for domestic use. Lessor may purchase any gas used in excess of 300,000 cubic feet per year at a price not to exceed fifty (50) cents above field market price received by the Lessee. Lessor shall make connections for such service at Lessor's risk and expense. Such service shall be subject to Lessee's right of abandonment of such well.
7. The said Lessor also acknowledges and agrees that the use of natural gas is dangerous and the said Lessor acknowledges and agrees a back up heating supply must be installed should natural gas be used from any said well
8. Lessor(s) 1/8 (one eighth) Royalty is to be free and clear of any and all operating costs/expences associated with any well drilled on this lease.
9. There shall be no unitization without the Lessors prior written approval, not to be unreasonably withheld.

10. The terms and conditions contained in this Exhibit "A" shall be controlling and any conditions or terms contained in the attached lease form that are inconsistent with the terms herein contained shall be null and void.

LESSOR

Jeffrey W. Ruggles.
Jeff W. Ruggles, Agent Twin Oak
Farm, LTD


LESSEE

Artex Oil Company

By:

Russell W. Suitt Jr.

Russell W. Suitt, Jr. Contract Land Agent


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